

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED  
DECEMBER 31, 2010

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**INTRODUCTORY SECTION**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
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CREDIT RIVER TOWNSHIP, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
YEAR ENDED DECEMBER 31, 2010

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leroy Schommer	Chairman	3/31/12
Brent Lawrence	Vice Chair	3/31/11
Al Aspengren	Supervisor	3/31/11
Bruce Nilsen	Supervisor	3/31/13
Tom Kraft	Supervisor	3/31/12
Cathy Haugh	Clerk	3/31/12
Holly Batton	Treasurer	3/31/11

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**FINANCIAL SECTION**

**CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA**

**YEAR ENDED  
DECEMBER 31, 2010**

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Credit River Township, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary fund, each major fund, and the aggregate remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Township's 2009 financial statements and, in our report dated February 22, 2010, we expressed unqualified opinions on the respective proprietary fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund and Road and Bridge fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

February 24, 2011  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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## **Management's Discussion and Analysis**

As management of Credit River Township, Scott County, Minnesota, (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2010.

### **Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$8,648,859 (net assets). Of this amount, \$1,905,475 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$229,851.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,749,760, a decrease of \$18,859 in comparison with the prior year. Of this total amount, \$1,617,246, is available for spending at the Township's discretion, but \$441,465 of that amount has been designated for specific purposes.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$610,815, or 114.7 percent of total General fund 2011 budgeted expenditures.
- The Township's total long-term debt decreased by \$115,000 due to paying the Met Council loan back and the schedule principal payment of the bond.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**Township's Annual Financial Report**

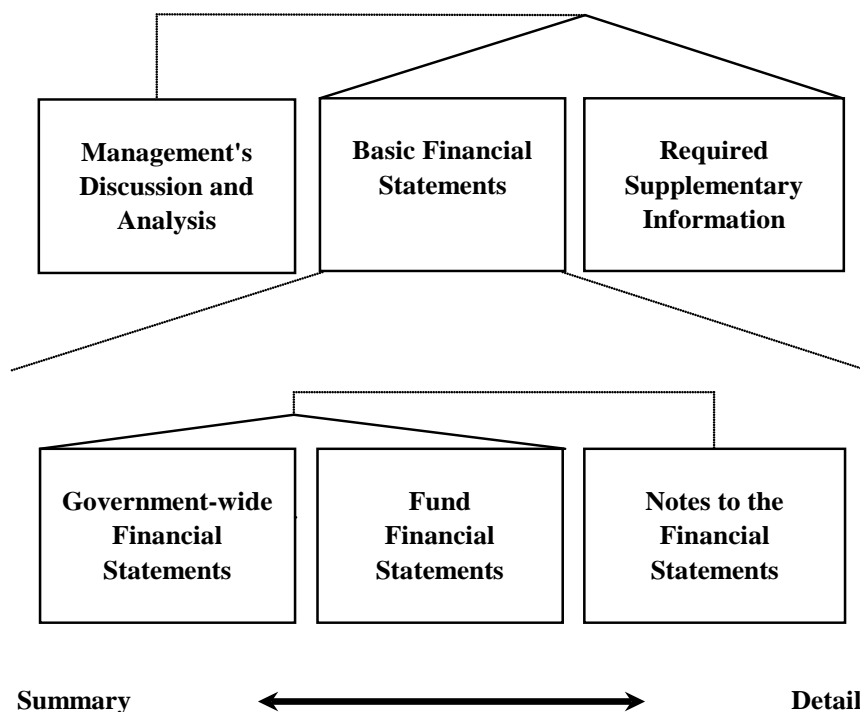




Figure 2 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire Township government (except fiduciary funds) and the Township's component units	The activities of the Township that are not proprietary or fiduciary, such as police, fire and parks	Activities the Township operates similar to private businesses, such as the sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Assets</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenue (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the Township include its sewer system.

The government-wide financial statements can be found on pages 25 - 27 of this report.

## Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Road and Bridge, and Improvement Bond funds - all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The Township adopts an annual appropriated budget for its General and Road and Bridge fund. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30 - 39 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer subordinate service districts.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the sewer subordinate service districts as a whole. Data for individual sewer subordinate service districts is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 - 42 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 43 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 - 58 of this report.

## Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 60 - 76 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$8,648,859 at the close of the most recent fiscal year.

By far, the largest portion of the Township's net assets (72.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of *unrestricted net assets* (\$1,905,475) may be used to meet the Township's ongoing obligations to citizens and creditors.

### Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,307,280	\$ 2,389,082	\$ (81,802)	\$ 250,004	\$ 214,219	\$ 35,785
Capital assets (net of depreciation)	6,540,892	6,800,765	(259,873)	457,303	469,600	(12,297)
<b>Total assets</b>	<b>8,848,172</b>	<b>9,189,847</b>	<b>(341,675)</b>	<b>707,307</b>	<b>683,819</b>	<b>23,488</b>
<b>Liabilities</b>						
Current and other liabilities	112,321	79,906	32,415	14,299	20,050	(5,751)
Noncurrent	780,000	895,000	(115,000)	-	-	-
<b>Total liabilities</b>	<b>892,321</b>	<b>974,906</b>	<b>32,415</b>	<b>14,299</b>	<b>20,050</b>	<b>(5,751)</b>
<b>Net assets</b>						
Invested in capital assets	5,782,963	5,970,595	(187,632)	457,303	469,600	(12,297)
Restricted	398,307	464,216	(65,909)	104,811	73,536	31,275
Unrestricted	1,774,581	1,780,130	(5,549)	130,894	120,633	10,261
<b>Total net assets</b>	<b>\$ 7,955,851</b>	<b>\$ 8,214,941</b>	<b>\$ (259,090)</b>	<b>\$ 693,008</b>	<b>\$ 663,769</b>	<b>\$ 29,239</b>

At the end of the current fiscal year, the Township is able to report a positive balance in net assets for both governmental and business-type activities.

- The Township's total net assets decreased by \$229,851 during the year.

**Governmental activities.** Governmental activities decreased the Township's net assets by \$259,090, thereby accounting for 112.7 percent of the total decrease in the net assets of the Township.

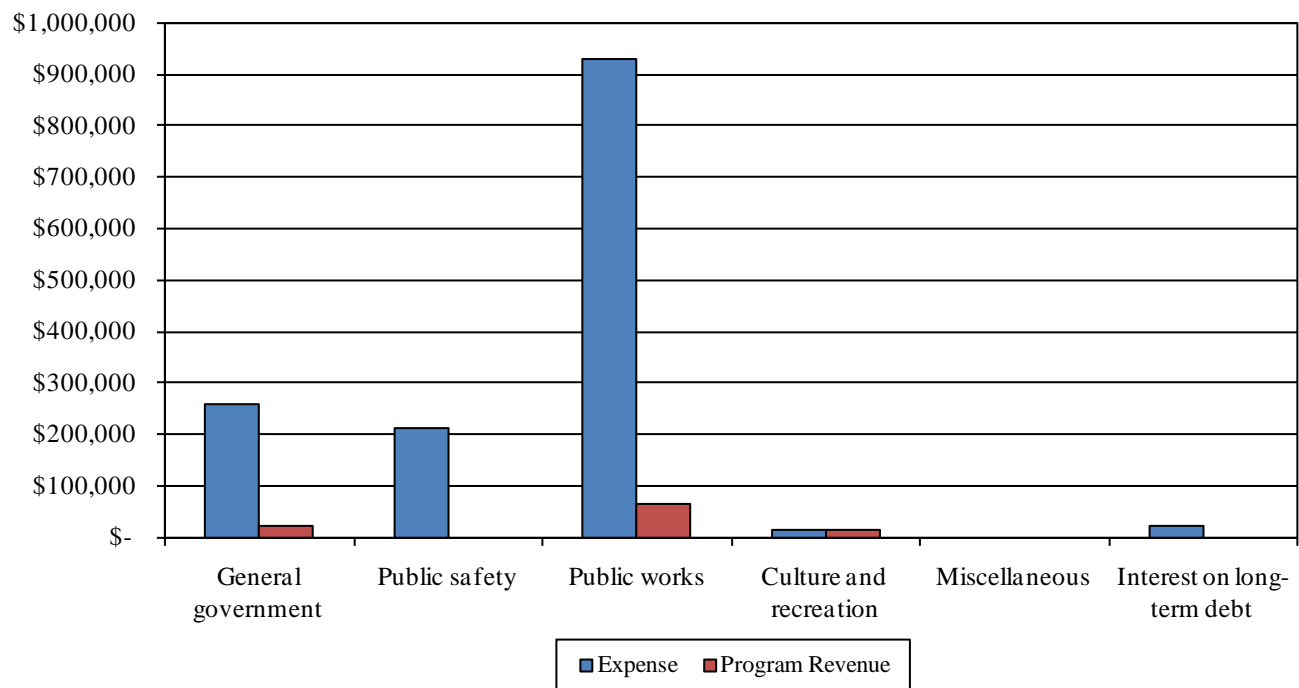
### Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 49,596	\$ 72,900	\$ (23,304)	\$ 206,784	\$ 235,531	\$ (28,747)
Operating grants and contributions	31,214	10	31,204	-	-	-
Capital grants and contributions	18,101	977,155	(959,054)	-	-	-
General revenues						
Taxes						
Property taxes, levied for general purposes	1,037,403	1,088,887	(51,484)	-	-	-
Franchise taxes	7,759	7,453	306	-	-	-
State grants and contributions not restricted to specific programs	-	27,835	(27,835)	-	-	-
Unrestricted investment earnings	31,715	44,435	(12,720)	1,984	1,218	766
Total revenues	1,175,788	2,218,675	(1,042,887)	208,768	236,749	(27,981)
Expenses						
General government	258,142	259,281	(1,139)	-	-	-
Public safety	211,962	189,354	22,608	-	-	-
Public works	929,231	659,105	270,126	-	-	-
Culture and recreation	14,345	21,653	(7,308)	-	-	-
Interest on long-term debt	21,198	20,197	1,001	-	-	-
Sewer	-	-	-	179,529	170,793	8,736
Total expenses	1,434,878	1,149,590	285,288	179,529	170,793	8,736
Increase in net assets before transfers	(259,090)	1,069,085	(1,328,175)	29,239	65,956	(36,717)
Transfers	-	3,789	(3,789)	-	(3,789)	3,789
Change in net assets	(259,090)	1,072,874	(1,331,964)	29,239	62,167	(32,928)
Net assets, January 1	8,214,941	7,142,067	1,072,874	663,769	601,602	62,167
Net assets, December 31	<u>\$ 7,955,851</u>	<u>\$ 8,214,941</u>	<u>\$ (259,090)</u>	<u>\$ 693,008</u>	<u>\$ 663,769</u>	<u>\$ 29,239</u>

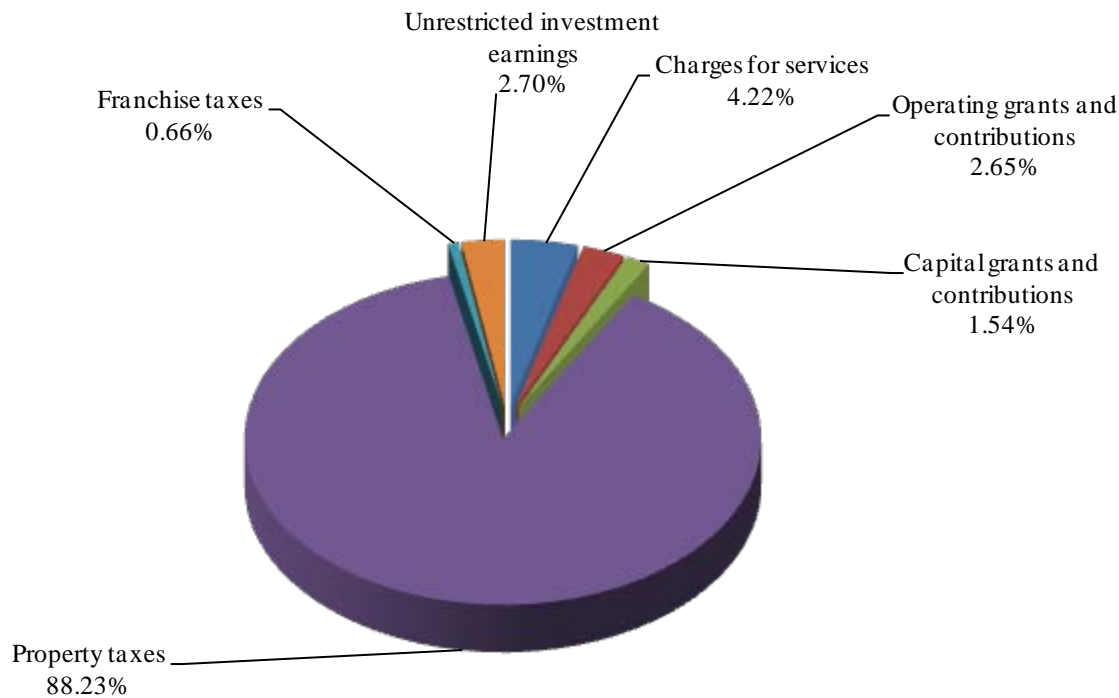
- Property taxes represent 88 percent of total governmental revenues in 2010.
- Capital grants and contributions decreased by \$959,054 in the governmental activities due to the Township accepting the projects from developers in 2009, and not accepting any in 2010
- Expenses in public works increased by \$270,126 due to the increase in bituminous patching and an increase in the cost of snow plowing compared to 2009.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds had combined ending fund balances of \$1,749,760, a decrease of \$18,859 in comparison with the prior year. Approximately 92.4 percent of this total amount, \$1,617,246, constitutes *unreserved fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay prepaid items and debt service.

Major funds	Fund Balance December 31,		Increase (Decrease)
	2010	2009	
<b>General</b>	\$ 612,797	\$ 650,052	\$ (37,255)
<b>Road and Bridge</b>	\$ 903,141	\$ 822,986	\$ 80,155
<b>Improvement Bond</b>	\$ 130,532	\$ 145,487	\$ (14,955)

The decrease in the general fund was mainly due to revenues being under budget. The Board anticipated using available fund balances to cover a portion of the operating budget. The fund balance is strong relative to the following years budget (115%).

The Road and Bridge fund balance increased \$81 thousand. This was mainly due to expenditures being under budget and revenues being over budget. The Board decided not to complete some projects during the year and received revenue that was unexpected at the time of preparing the budget.

The decrease in the Improvement Bond fund is attributed to bond principal payments made and no transfer in as compared to the prior year.

**Proprietary funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$130,894. The total increase in net assets for the funds was \$29,239. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

## General fund Budgetary Highlights

The Township's General fund budget was not amended during the year. Revenues had a negative budget variance and expenditures had positive budget variance, and overall the General fund had a net negative budget variance of \$39,842.

Some of the significant variances can be briefly summarized as follows:

- Total revenue was \$110,935 under budget mainly attributable to general property taxes being budgeted. At the time of finalizing the levy, the Board decided to reduce the levy and utilize available undesignated fund balance to cover the difference between the budget and certified levy.
- Funds had been budgeted for incorporation studies that were not utilized as originally planned. A fiscal impact study was conducted and pending further investigation, steps to incorporate were not pursued in 2010. Unspent budgeted expenditures for this area were \$24,563.
- With the exception of town board, elections, assessor, and planning department, all other departments came in under budget in the General fund. The most significant of these being general legal services and incorporation costs. This resulted in general fund expenditures being under budget by \$71,093.

## Road and Bridge fund Budgetary Highlights

The budget for the Township's Road and Bridge fund was not amended during the year. The budget called for no increase or decrease in fund balance. Revenues were \$34,189 more than expected; while expenditures were \$45,966 less than what was budgeted.

## Capital Assets and Debt Administration

**Capital Assets:** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$6,998,195 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the Township's capital assets can be found in Note 3C on page 53 -54 of this report.

### Capital Assets Net of Depreciation

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Land	\$ 1,126,500	\$ 1,126,500	\$ -	\$ -	\$ -	\$ -
Construction work in progress	935,196	922,137	13,059	-	-	-
Buildings	34,433	36,233	(1,800)	-	-	-
Improvements other than building	189,674	201,291	(11,617)	-	-	-
Machinery and equipment	47,547	48,389	(842)	-	-	-
Infrastructure	4,207,542	4,466,215	(258,673)	457,303	469,600	(12,297)
Total	<u>\$ 6,540,892</u>	<u>\$ 6,800,765</u>	<u>\$ (259,873)</u>	<u>\$ 457,303</u>	<u>\$ 469,600</u>	<u>\$ (12,297)</u>

Construction work in progress during 2010 includes:

- Whitewood Avenue and Birch Road - reconstruction project.
- Huntington Way - reconstruction project.

**Long-term debt:** At the end of the current fiscal year, the Township had total bonded debt outstanding of \$780,000.

### Outstanding Debt

	Governmental Activities		
	2010	2009	Increase (Decrease)
Loan payable	\$ -	\$ 40,000	\$ (40,000)
Bonds payable	780,000	855,000	(75,000)
Total	<u>\$ 780,000</u>	<u>\$ 895,000</u>	<u>\$ (115,000)</u>

### Economic Factors and Next Year's Budgets and Rates

- The General Fund expenditure budget for 2011 was decreased by over \$40,000 due to anticipated decreased legal consultant usage, decreased administrative salaries, and decreased non-road engineering consultant costs.
- The Township has implemented and adhered to a road maintenance plan that will maximize the investment in that infrastructure. This was adjusted slightly this year in result to road condition changes.
- The budget for 2011 was increased to allow for increased maintenance of the township roads. A line item was added to allow the township to accumulate funds to put toward the township's share of road improvement assessments so to minimize a sharp change in levy needs. The Township established a capital project fund to set funds aside each year in anticipation of future projects.
- The dollars previously budgeted for incorporation studies/implementation will continue to be tracked separately.
- Due to a faster than anticipated deterioration of a township road in Hills of Credit River, the board ordered a feasibility study for reconstruction. This project is being tracked as a potential assessment project and costs being incurred by the Road & Bridge fund will be transferred to a separate construction fund when the project is approved.

All of these factors were considered in preparing the Township's budget for the 2010 fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Treasurer, 18985 Meadow View Lane, Prior Lake, Minnesota 55372.



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2010

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CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 1,824,244	\$ 217,776	\$ 2,042,020
Receivables			
Accrued interest	3,925	-	3,925
Delinquent taxes	53,051	-	53,051
Accounts	8,609	3,320	11,929
Special assessments	393,398	28,388	421,786
Prepaid items	1,982	520	2,502
Deferred charges	22,071	-	22,071
Capital assets			
Land and construction work in progress	2,061,696	-	2,061,696
Depreciable assets (net of accumulated depreciation)	4,479,196	457,303	4,936,499
<b>TOTAL ASSETS</b>	<b>8,848,172</b>	<b>707,307</b>	<b>9,555,479</b>
<b>LIABILITIES</b>			
Accounts payable	96,726	13,933	110,659
Accrued salaries payable	8,105	366	8,471
Accrued interest payable	7,490	-	7,490
Noncurrent liabilities			
Due within one year			
Bonds payable	75,000	-	75,000
Due in more than one year			
Bonds payable	705,000	-	705,000
<b>TOTAL LIABILITIES</b>	<b>892,321</b>	<b>14,299</b>	<b>906,620</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	5,782,963	457,303	6,240,266
Restricted for			
Capital replacement and repair	-	104,811	104,811
Debt service	398,307	-	398,307
Unrestricted	1,774,581	130,894	1,905,475
<b>TOTAL NET ASSETS</b>	<b>\$ 7,955,851</b>	<b>\$ 693,008</b>	<b>\$ 8,648,859</b>

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 258,142	\$ 22,396	\$ -	\$ -
Public safety	211,962	-	-	-
Public works	929,231	14,700	31,214	18,101
Culture and recreation	14,345	12,500	-	-
Interest on long-term debt	21,198	-	-	-
Total governmental activities	1,434,878	49,596	31,214	18,101
Business-type activities				
Sewer	179,529	206,784	-	-
Total	<u>\$ 1,614,407</u>	<u>\$ 256,380</u>	<u>\$ 31,214</u>	<u>\$ 18,101</u>

General revenues

Taxes

Property taxes, levied for general purposes

Franchise taxes

Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets, January 1

Net assets, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (235,746)	\$ -	\$ (235,746)
(211,962)	-	(211,962)
(865,216)	-	(865,216)
(1,845)	-	(1,845)
<u>(21,198)</u>	<u>-</u>	<u>(21,198)</u>
(1,335,967)	-	(1,335,967)
<u>-</u>	<u>27,255</u>	<u>27,255</u>
<u>(1,335,967)</u>	<u>27,255</u>	<u>(1,308,712)</u>
1,037,403	-	1,037,403
7,759	-	7,759
<u>31,715</u>	<u>1,984</u>	<u>33,699</u>
<u>1,076,877</u>	<u>1,984</u>	<u>1,078,861</u>
(259,090)	29,239	(229,851)
<u>8,214,941</u>	<u>663,769</u>	<u>8,878,710</u>
<u>\$ 7,955,851</u>	<u>\$ 693,008</u>	<u>\$ 8,648,859</u>

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**FUND**  
**FINANCIAL STATEMENTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2010

CREDIT RIVER TOWNSHIP, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	<b>100</b> General Fund	<b>201</b> Road and Bridge Fund	<b>310</b> Improvement Bond Fund
<b>ASSETS</b>			
Cash and temporary investments	\$ 614,595	\$ 970,670	\$ 130,346
Receivables			
Accrued interest	3,925	-	-
Delinquent taxes	16,661	35,987	403
Accounts	8,609	-	-
Special assessments	2,805	115,545	275,048
Prepaid items	1,982	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 648,577</u></u>	<u><u>\$ 1,122,202</u></u>	<u><u>\$ 405,797</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 13,679	\$ 77,704	\$ -
Accrued salaries payable	8,105	-	-
Deferred revenue	13,996	141,357	275,265
<b>TOTAL LIABILITIES</b>	<u>35,780</u>	<u>219,061</u>	<u>275,265</u>
<b>FUND BALANCES</b>			
Reserved for			
Prepaid items	1,982	-	-
Debt service	-	-	130,532
Unreserved, designated reported in			
Special revenue funds	-	441,465	-
Unreserved, undesignated reported in			
General fund	610,815	-	-
Special revenue funds	-	461,676	-
Capital project funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>612,797</u>	<u>903,141</u>	<u>130,532</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 648,577</u></u>	<u><u>\$ 1,122,202</u></u>	<u><u>\$ 405,797</u></u>

The notes to the financial statements are an integral part of this statement.



Other Governmental Funds	Total Governmental Funds
\$ 108,633	\$ 1,824,244
-	3,925
-	53,051
-	8,609
-	393,398
-	1,982
<u>\$ 108,633</u>	<u>\$ 2,285,209</u>

\$ 5,343	\$ 96,726
-	8,105
-	430,618
<u>5,343</u>	<u>535,449</u>

-	1,982
-	130,532
-	441,465
-	610,815
130,399	592,075
(27,109)	(27,109)
<u>103,290</u>	<u>1,749,760</u>
<u>\$ 108,633</u>	<u>\$ 2,285,209</u>

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CREDIT RIVER TOWNSHIP, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2010

Total fund balances - governmental	\$ 1,749,760
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	7,626,720
Less: accumulated depreciation	(1,085,828)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of:	
Bonds payable	(780,000)
Less deferred charges, net of accumulated amortization	22,071
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	38,887
Deferred revenue from special assessments in the governmental funds is susceptible to full accrual on the government-wide statements.	391,731
Governmental funds do not report a liability for accrued interest until due and payable.	(7,490)
Total net assets - governmental activities	<u>\$ 7,955,851</u>

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>100</b> General Fund	<b>201</b> Road and Bridge Fund	<b>310</b> Improvement Bond Fund
REVENUES			
Property taxes	\$ 403,067	\$ 618,216	\$ 10,737
Franchise taxes	7,759	-	-
Licenses and permits	7,230	-	-
Intergovernmental	-	31,214	-
Charges for services	15,166	14,700	-
Special assessments	-	48,336	68,184
Investment earnings	30,869	-	-
	<u>464,091</u>	<u>712,466</u>	<u>78,921</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	246,968	-	-
Public safety	211,962	-	-
Public works	38,216	632,311	-
Culture and recreation	6,767	-	-
Capital outlay			
General government	20	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal	-	-	75,000
Interest and other	-	-	18,876
	<u>503,933</u>	<u>632,311</u>	<u>93,876</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(39,842)</u>	<u>80,155</u>	<u>(14,955)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,587	-	-
Transfers out	-	-	-
	<u>2,587</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(37,255)	80,155	(14,955)
FUND BALANCES, JANUARY 1	<u>650,052</u>	<u>822,986</u>	<u>145,487</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 612,797</u></u>	<u><u>\$ 903,141</u></u>	<u><u>\$ 130,532</u></u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,032,020
-	7,759
-	7,230
-	31,214
12,500	42,366
-	116,520
846	31,715
<u>13,346</u>	<u>1,268,824</u>
-	246,968
-	211,962
-	670,527
-	6,767
-	20
13,090	13,090
4,473	4,473
40,000	115,000
-	18,876
<u>57,563</u>	<u>1,287,683</u>
<u>(44,217)</u>	<u>(18,859)</u>
-	2,587
<u>(2,587)</u>	<u>(2,587)</u>
<u>(2,587)</u>	<u>-</u>
(46,804)	(18,859)
<u>150,094</u>	<u>1,768,619</u>
<u>\$ 103,290</u>	<u>\$ 1,749,760</u>

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CREDIT RIVER TOWNSHIP, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

Total net change in fund balances - governmental funds	\$ (18,859)
--------------------------------------------------------	-------------

Amounts reported for governmental activities in the statement  
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	16,784
Depreciation expense	(276,657)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.

Principal repayments	115,000
Amortization of deferred charges	(2,759)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

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Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Special assessments	(98,419)
Property taxes	5,383

Change in net assets - governmental activities	\$ <u>(259,090)</u>
------------------------------------------------	---------------------

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND AND ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 528,136	\$ 528,136	\$ 403,067	\$ (125,069)
Franchise taxes	3,500	3,500	7,759	4,259
Licenses and permits	-	-	7,230	7,230
Intergovernmental	5,084	5,084	-	(5,084)
Charges for services	3,306	3,306	15,166	11,860
Special assessments	-	-	-	-
Investment earnings	35,000	35,000	30,869	(4,131)
<b>TOTAL REVENUES</b>	<b>575,026</b>	<b>575,026</b>	<b>464,091</b>	<b>(110,935)</b>
EXPENDITURES				
Current				
General government	298,197	298,197	246,968	51,229
Public safety	220,779	220,779	211,962	8,817
Public works	47,550	47,550	38,216	9,334
Culture and recreation	8,000	8,000	6,767	1,233
Capital outlay	500	500	20	480
<b>TOTAL EXPENDITURES</b>	<b>575,026</b>	<b>575,026</b>	<b>503,933</b>	<b>71,093</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(39,842)	(39,842)
OTHER FINANCING SOURCES				
Transfers in	-	-	2,587	2,587
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(37,255)</b>	<b>(37,255)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>650,052</b>	<b>650,052</b>	<b>650,052</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 650,052</b>	<b>\$ 650,052</b>	<b>\$ 612,797</b>	<b>\$ (37,255)</b>

The notes to the financial statements are an integral part of this statement.



Road and Bridge Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ 631,750	\$ 631,750	\$ 618,216	\$ (13,534)
-	-	-	-
-	-	-	-
-	-	31,214	31,214
-	-	14,700	14,700
46,527	46,527	48,336	1,809
-	-	-	-
678,277	678,277	712,466	34,189
-	-	-	-
-	-	-	-
678,277	678,277	632,311	45,966
-	-	-	-
-	-	-	-
678,277	678,277	632,311	45,966
-	-	80,155	80,155
-	-	-	-
-	-	80,155	80,155
822,986	822,986	822,986	-
\$ 822,986	\$ 822,986	\$ 903,141	\$ 80,155

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate	Service Districts
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 217,776	\$ 179,103
Receivables		
Accounts	3,320	6,973
Special assessments		
Delinquent	7,952	1,391
Deferred	20,436	26,143
Prepaid items	520	609
TOTAL CURRENT ASSETS	250,004	214,219
NONCURRENT ASSETS		
Capital assets		
Infrastructure	508,897	508,897
Less accumulated depreciation	(51,594)	(39,297)
NET CAPITAL ASSETS	457,303	469,600
TOTAL ASSETS	707,307	683,819
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	13,933	19,225
Accrued salaries payable	366	825
TOTAL LIABILITIES	14,299	20,050
NET ASSETS		
Invested in capital assets	457,303	469,600
Restricted for capital replacement and repair	104,811	73,536
Unrestricted	130,894	120,633
TOTAL NET ASSETS	\$ 693,008	\$ 663,769

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate Service Districts	
	2010	2009
OPERATING REVENUES		
Charges for services	\$ 206,784	\$ 235,531
OPERATING EXPENSES		
Personal services	7,018	6,129
Telephone and office expenses	4,572	3,924
Maintenance	92,950	79,725
Repairs	17,479	21,263
Professional services	19,187	14,280
Utilities	6,416	5,115
Other expense	19,610	28,060
Depreciation	12,297	12,297
TOTAL OPERATING EXPENSES	179,529	170,793
OPERATING INCOME	27,255	64,738
NONOPERATING REVENUES		
Investment earnings	1,984	1,218
INCOME BEFORE TRANSFERS	29,239	65,956
TRANSFERS OUT	-	(3,789)
CHANGE IN FUND NET ASSETS	29,239	62,167
FUND NET ASSETS, JANUARY 1	663,769	601,602
FUND NET ASSETS, DECEMBER 31	\$ 693,008	\$ 663,769

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate	Service Districts
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 209,583	\$ 226,200
Payments to suppliers	(165,417)	(141,680)
Payments to employees	(7,477)	(5,643)
NET CASH PROVIDED BY OPERATING ACTIVITIES	36,689	78,877
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	-	(3,789)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,984	1,218
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,673	76,306
CASH AND CASH EQUIVALENTS, JANUARY 1	179,103	102,797
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 217,776	\$ 179,103
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 27,255	\$ 64,738
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,297	12,297
(Increase) decrease in assets:		
Accounts receivable	3,653	542
Special assessments	(854)	(9,873)
Prepaid items	89	(550)
Increase (decrease) in liabilities:		
Accounts payable	(5,292)	11,237
Accrued salaries payable	(459)	486
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 36,689	\$ 78,877

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	Agency
	Escrow
ASSETS	
Cash and temporary investments	\$ 358,978
LIABILITIES	
Deposits payable	\$ 358,978

The notes to the financial statements are an integral part of this statement.

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CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Credit River Township, Minnesota (the Township), is organized and governed by the standard structure of five supervisors, one clerk, and one treasurer. All seven positions are elected by eligible voters of the Township. The Township has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Township has no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Township reports the following major governmental funds:

The *General fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *Road and Bridge fund* accounts for resources accumulated and payments made related to road maintenance and snow removal.

The *Improvement Bond fund* accounts for the debt service activity associated with the 2009 bond.

Additionally, the Township reports the following proprietary fund types:

The *Sewer Subordinate Service District fund* accounts for the activities of the Township's wastewater treatment for community septic treatment systems.

*Fiduciary funds* account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The *Escrow Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.



CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

***Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on the Township's policy.

The Township may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

It is the Township's policy to comply with Minnesota Statute Chapter 118A - Deposits and Investments of Local Public Funds.

***Property Taxes***

The Board annually adopts a tax levy at their Annual Town Meeting. The levy is then certified to the County for collection in the following year. The County is responsible for collecting all property taxes for the Township. These taxes attach an enforceable lien on taxable property within the Township on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the Township during January, July, and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the Township by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. The Township annually certifies delinquent charges to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All special assessments receivable are offset by a deferred revenue liability in the fund financial statements.

***Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of five years.

Pursuant to GASB 34, paragraph 148, the Township chose not to report general infrastructure asset retrospectively. General infrastructure assets consist of those constructed or accepted since January 1, 2004. As the Township constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Township values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and structures	20 to 50
Improvements other than buildings	15 to 30
Machinery and equipment	5 to 10
Infrastructure	20 to 30

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

***Comparative Data/Reclassifications***

Comparative data for the prior year has been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and selected special revenue funds. All annual appropriations lapse at fiscal year end. The Township does not use encumbrance accounting.

In February/March of each year, the proposed budget is prepared by the Board and management. The Board holds public hearing at the Annual Town meeting and a final budget is prepared and adopted at that meeting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between funds require the approval of the Board. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Board. There were no budget amendments made during 2010.

**B. Deficit Fund Equity**

The following funds had a deficit balance at December 31, 2010:

<u>Fund</u>	<u>Amount</u>
Nonmajor governmental fund	
Judicial Road	\$ 464
Whitewood Birch	29,291

The deficit fund balances will be eliminated with future transfers.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Township's deposits and investments may not be returned or the Township will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board, the Township maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Township deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the Township's carrying amount of deposits was \$2,400,998 and the bank balance was \$2,401,131. The entire bank balance was covered by federal depository insurance and collateral.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets for the Township follows:

	<u>Total</u>
Carrying amount of deposits	<u>\$ 2,400,998</u>
Cash and cash equivalents	
Statement of Net Assets	\$ 2,042,020
Statement of Fiduciary Net Assets	<u>358,978</u>
Total	<u>\$ 2,400,998</u>

**B. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General	
Delinquent taxes	\$ 11,191
Special assessments	2,805
Road and Bridge	
Delinquent taxes	27,437
Special assessments	113,920
Improvement Bond	
Delinquent taxes	259
Special assessments	<u>275,006</u>
Total	<u>\$ 430,618</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,126,500	\$ -	\$ -	\$ 1,126,500
Construction in progress	922,137	13,059	-	935,196
Total capital assets not being depreciated	2,048,637	13,059	-	2,061,696
Capital assets being depreciated				
Buildings	84,113	-	-	84,113
Improvements other than buildings	239,028	-	-	239,028
Machinery and equipment	64,696	3,725	-	68,421
Infrastructure	5,173,462	-	-	5,173,462
Total capital assets being depreciated	5,561,299	3,725	-	5,565,024
Less accumulated depreciation for				
Buildings	(47,880)	(1,801)	-	(49,681)
Improvements other than buildings	(37,737)	(11,617)	-	(49,354)
Machinery and equipment	(16,307)	(258,673)	-	(274,980)
Infrastructure	(707,247)	(4,566)	-	(711,813)
Total accumulated depreciation	(809,171)	(276,657)	-	(1,085,828)
Total capital assets being depreciated, net	4,752,128	(272,932)	-	4,479,196
Governmental activities capital assets, net	<u>\$ 6,800,765</u>	<u>\$ (259,873)</u>	<u>\$ -</u>	<u>\$ 6,540,892</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets being depreciated				
Infrastructure	\$ 508,897	\$ -	\$ -	\$ 508,897
Less accumulated depreciation for				
Infrastructure	<u>(39,297)</u>	<u>(12,297)</u>	<u>-</u>	<u>(51,594)</u>
Business-type activities capital assets, net	<u>\$ 469,600</u>	<u>\$ (12,297)</u>	<u>\$ -</u>	<u>\$ 457,303</u>

Depreciation expense was charged to functions/programs of the Township as follows:

<b>Governmental activities</b>	
General government	\$ 11,154
Streets and highways	258,673
Culture and recreation	<u>6,830</u>
Total depreciation expense - governmental activities	<u>\$ 276,657</u>
<b>Business-type activities</b>	
Sewer utility	<u>\$ 12,297</u>

**D. Interfund Transfers**

The Met Council Loan fund transferred \$2,587 to the General fund to close the fund.



CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Operating Leases**

The Township leases a copy machine and scanner under a five-year operating lease. Total lease payments for the year ended December 31, 2010 were \$1,812. The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 1,680
2012	1,680
2013	<u>1,400</u>
Total	<u>\$ 4,760</u>

**F. Long-term Debt**

***General Obligation Bonds***

The Township issued a general obligation bond to provide funds for the acquisition and construction of major capital assets. The general obligation bond was issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. General Obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>at Year End</u>
General Obligation Improvement Bond, Series 2009A	\$ 855,000	1.50 - 3.00 %	02/01/09	02/01/19	<u>\$ 780,000</u>

Annual requirement to maturity for general obligation bonds is as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 75,000	\$ 17,413	\$ 92,413
2012	80,000	16,210	96,210
2013	80,000	14,850	94,850
2014	80,000	13,330	93,330
2015	85,000	11,510	96,510
2016-2019	<u>380,000</u>	<u>22,535</u>	<u>402,535</u>
Total	<u>\$ 780,000</u>	<u>\$ 95,848</u>	<u>\$ 875,848</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Changes in Long-term Liabilities***

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
G.O. improvement bonds	\$ 855,000	\$ -	\$ (75,000)	\$ 780,000	\$ 75,000
Loans payable	40,000	-	(40,000)	-	-
Governmental activity long-term liabilities	<u>\$ 895,000</u>	<u>\$ -</u>	<u>\$ (115,000)</u>	<u>\$ 780,000</u>	<u>\$ 75,000</u>

**G. Fund Equity Reservations and Designations**

The Township has various reservations and designations as described in Note 1. They are summarized below:

Fund	Purpose	Amount
<b>Net assets - Restricted</b>		
Governmental Activities		
Improvement Bond	Debt service	\$ 398,307
Business-type activities		
Sewer Subordinate Service Districts	Capital replacement and repair	104,811
Total restricted net assets		<u>\$ 503,118</u>
<b>Fund balance - Reserved</b>		
General	Prepaid items	\$ 1,982
Improvement Bond	Debt service	130,532
Total reserved fund balance		<u>\$ 132,514</u>
<b>Fund balance - Unreserved - Designated</b>		
Road and Bridge	Lot fees	\$ 146,500
Road and Bridge	Turn lanes	243,365
Road and Bridge	County Road 75	51,600
Total designated fund balance		<u>\$ 441,465</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

The five board members of the Township are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contribution in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and one quarter of one percent of the assets in each member's account annually.

The Township's contribution to the PEDCP for the years ending December 31, 2010, 2009, and 2008 were \$3,051, \$1,856 and \$122, respectively.

**Note 5: OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Township carries insurance. The Township obtains insurance through participation in the Minnesota Association of Townships (MAT), which is a risk sharing pool with approximately 1,785 other governmental units. The Township pays an annual premium to MAT for its workers compensation and property and casualty insurance. The MAT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the Township's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Township's management is not aware of any incurred but not reported claims.

**B. Legal Debt Margin**

In accordance with Minnesota statutes, the Township may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the Township. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments. The Township has no outstanding debt subject to the limit.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 5: OTHER INFORMATION - CONTINUED**

**C. Joint Powers Agreements**

The Township entered into a joint powers agreement, effective September 17, 2007, with the City of Lakeville to improve and maintain Judicial Road. The project costs will be paid 50% by each party in accordance with the agreement. The Township paid \$4,029 related to the agreement in 2010. Each party will own the portion of the road within its government boundaries. This agreement will remain in effect until either party terminates with a one year written notice to the other party.

The Township entered into a joint powers agreement, effective April 2009, with the City of Savage, for the City to have exclusive planning, zoning and subdivision authority for a piece of property in the northwestern corner of the township currently owned by W.G. Pearson, Inc. with the purpose of regulating a mining permit. This agreement renews on the first of each subsequent year unless a party gives sixty days written notice prior to the anticipated date of termination or unless Credit River Township is incorporated or the subject property is annexed into a city, or is terminated by law.

The Township entered into a joint powers agreement, September 27, 2010, with the City of Savage to cooperate in long range planning and the potential provision of municipal sanitary sewer and water service from the City to the Township in the "Primary Study Area" and the "Secondary Study Area" as defined in the agreement. The term of the agreement is three years with an automatic renewal of three years unless either party gives 180 days written notice, or at any time upon mutual consent. The agreement calls for City to perform its own individual planning and feasibility study for the extension of trunk sanitary sewer and water service to its boarder with the Township, and the Township to perform its own planning and feasibility study for the extensions of trunk and lateral sanitary sewer and water service within the "Primary Study Area." At such times the parties agree, the parties shall perform planning and feasibility studies for trunk and lateral sanitary sewer and water service within the "Secondary Study Area."

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2010

CREDIT RIVER TOWNSHIP, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	Special Revenue		Total
	<b>206</b>	<b>202</b>	Special
	Met Council	Park	Revenue
	Loan Fund	Fund	Funds
ASSETS			
Cash and temporary investments (deficits)	\$ -	\$ 130,399	\$ 130,399
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
FUND BALANCES (DEFICITS)			
Unreserved, undesignated	-	130,399	130,399
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 130,399	\$ 130,399

Capital Projects			Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>412</b> Judicial Road	<b>413</b> Whitewood Birch	<b>414</b> Huntington Way		
<u>\$ (464)</u>	<u>\$ (23,948)</u>	<u>\$ 2,646</u>	<u>\$ (21,766)</u>	<u>\$ 108,633</u>
\$ -	\$ 5,343	\$ -	\$ 5,343	\$ 5,343
<u>(464)</u>	<u>(29,291)</u>	<u>2,646</u>	<u>(27,109)</u>	<u>103,290</u>
<u>\$ (464)</u>	<u>\$ (23,948)</u>	<u>\$ 2,646</u>	<u>\$ (21,766)</u>	<u>\$ 108,633</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue		Total
	<b>206</b>	<b>202</b>	Special
	Met Council	Park	Revenue
	Loan Fund	Fund	Funds
REVENUES			
Charges for services	\$ -	\$ 12,500	\$ 12,500
Investment earnings	846	-	846
TOTAL REVENUES	846	12,500	13,346
EXPENDITURES			
Capital outlay			
Public works	-	-	-
Culture and recreation	-	4,473	4,473
Debt Service			
Principal	40,000	-	40,000
TOTAL EXPENDITURES	40,000	4,473	44,473
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,154)	8,027	(31,127)
OTHER FINANCING USES			
Transfers out	(2,587)	-	(2,587)
NET CHANGE IN FUND BALANCES	(41,741)	8,027	(33,714)
FUND BALANCES (DEFICITS), JANUARY 1	41,741	122,372	164,113
FUND BALANCES (DEFICITS), DECEMBER 31	\$ -	\$ 130,399	\$ 130,399



Capital Projects			Total Capital Project Funds	Total Nonmajor Governmental Funds
412 Judicial Road	413 Whitewood Birch	414 Huntington Way		
\$ -			\$ -	\$ 12,500
-	-	-	-	846
-	-	-	-	13,346
-	6,421	6,669	13,090	13,090
-	-	-	-	4,473
-	-	-	-	40,000
-	6,421	6,669	13,090	57,563
-	(6,421)	(6,669)	(13,090)	(44,217)
-	-	-	-	(2,587)
-	(6,421)	(6,669)	(13,090)	(46,804)
(464)	(22,870)	9,315	(14,019)	150,094
<u>\$ (464)</u>	<u>\$ (29,291)</u>	<u>\$ 2,646</u>	<u>\$ (27,109)</u>	<u>\$ 103,290</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Taxes					
General property taxes	\$ 528,136	\$ 528,136	\$ 403,067	\$ (125,069)	\$ 579,913
Franchise	3,500	3,500	7,759	4,259	7,453
Total	531,636	531,636	410,826	(120,810)	587,366
Licenses and permits					
Nonbusiness	-	-	1,780	1,780	2,728
Business	-	-	5,450	5,450	1,825
Total	-	-	7,230	7,230	4,553
Intergovernmental					
State					
Property tax credits	5,084	5,084	-	(5,084)	-
Charges for services					
General government	3,306	3,306	15,166	11,860	34,540
Investment earnings	35,000	35,000	30,869	(4,131)	43,607
Miscellaneous					
Other	-	-	-	-	10
TOTAL REVENUES	575,026	575,026	464,091	(110,935)	670,076
EXPENDITURES					
Current expenditures					
General government					
Town Board					
Personal services	69,870	69,870	62,652	7,218	62,796
Supplies	7,500	7,500	5,396	2,104	5,253
Other services and charges	37,720	37,720	45,483	(7,763)	26,198
Total	115,090	115,090	113,531	1,559	94,247
Town Clerk					
Personal services	30,600	30,600	26,982	3,618	35,795
Supplies	-	-	-	-	78
Other services and charges	-	-	-	-	326
Total	30,600	30,600	26,982	3,618	36,199

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current expenditures					
General government					
Town Treasurer					
Personal services	\$ 33,600	\$ 33,600	\$ 30,521	\$ 3,079	\$ 34,375
Supplies	-	-	-	-	1,055
Other services and charges	800	800	-	800	1,678
Total	34,400	34,400	30,521	3,879	37,108
Elections					
Personal services	4,167	4,167	5,379	(1,212)	762
Supplies	975	975	1,135	(160)	240
Other services and charges	1,300	1,300	671	629	919
Total	6,442	6,442	7,185	(743)	1,921
Assessor					
Other services and charges	30,000	30,000	31,104	(1,104)	28,014
Incorporation costs					
Other services and charges	40,000	40,000	15,437	24,563	13,378
Legal					
Other services and charges	30,000	30,000	7,681	22,319	25,420
Planning					
Personal services	600	600	-	600	-
Other services and charges	800	800	4,891	(4,091)	812
Total	1,400	1,400	4,891	(3,491)	812
Town hall building					
Other services and charges	10,265	10,265	9,636	629	10,019
Total general government	298,197	298,197	246,968	51,229	247,118
Public safety					
Fire					
Other services and charges	220,779	220,779	211,962	8,817	189,354

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current expenditures - Continued					
Public works					
Streets					
Personal services	\$ 2,250	\$ 2,250	\$ 931	\$ 1,319	\$ 390
Other services and charges	45,300	45,300	37,285	8,015	35,749
Total public works	47,550	47,550	38,216	9,334	36,139
Culture and recreation					
Parks					
Other services and charges	8,000	8,000	6,767	1,233	5,839
Total current expenditures	574,526	574,526	503,913	70,613	478,450
Capital outlay					
General government	500	500	20	480	747
TOTAL EXPENDITURES	575,026	575,026	503,933	71,093	479,197
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(39,842)	(39,842)	190,879
OTHER FINANCING SOURCES					
Transfers in	-	-	2,587	2,587	3,789
NET CHANGE IN FUND BALANCES	-	-	(37,255)	(37,255)	194,668
FUND BALANCES, JANUARY 1	650,052	650,052	650,052	-	455,384
FUND BALANCES, DECEMBER 31	\$ 650,052	\$ 650,052	\$ 612,797	\$ (37,255)	\$ 650,052

CREDIT RIVER TOWNSHIP, MINNESOTA  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General property taxes	\$ 631,750	\$ 631,750	\$ 618,216	\$ (13,534)	\$ 520,506
Intergovernmental					
Local					
County	-	-	-	-	51,600
Other grants and aids	-	-	31,214	31,214	27,835
Total	-	-	31,214	31,214	79,435
Charges for services					
Public works	-	-	14,700	14,700	24,307
Special assessments	46,527	46,527	48,336	1,809	55,279
TOTAL REVENUES	678,277	678,277	712,466	34,189	679,527
EXPENDITURES					
Current expenditures					
Public works					
Streets					
Personal services	3,550	3,550	6,244	(2,694)	3,324
Supplies	68,500	68,500	62,465	6,035	49,315
Other services and charges	606,227	606,227	563,602	42,625	326,204
Total public works	678,277	678,277	632,311	45,966	378,843
Capital outlay					
Public works	-	-	-	-	4,799
TOTAL EXPENDITURES	678,277	678,277	632,311	45,966	383,642
EXCESS OF REVENUES OVER EXPENDITURES	-	-	80,155	80,155	295,885
OTHER FINANCING USES					
Transfers out	-	-	-	-	(55,000)
NET CHANGE IN FUND BALANCES	-	-	80,155	80,155	240,885
FUND BALANCES, JANUARY 1	822,986	822,986	822,986	-	582,101
FUND BALANCES, DECEMBER 31	\$ 822,986	\$ 822,986	\$ 903,141	\$ 80,155	\$ 822,986

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF NET ASSETS  
 DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 78,899	\$ 81,125
Receivables		
Accounts	279	936
Special assessments		
Delinquent	1,369	1,391
Deferred	1,146	3,757
Prepaid items	142	240
TOTAL CURRENT ASSETS	81,835	87,449
NONCURRENT ASSETS		
Capital assets		
Infrastructure	202,497	202,497
Less accumulated depreciation	(40,500)	(33,750)
NET CAPITAL ASSETS	161,997	168,747
TOTAL ASSETS	243,832	256,196
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	6,616	5,811
Accrued salaries payable	99	231
TOTAL LIABILITIES	6,715	6,042
NET ASSETS		
Invested in capital assets	161,997	168,747
Restricted for capital replacement and repair	58,012	48,254
Unrestricted	17,108	33,153
TOTAL NET ASSETS	\$ 237,117	\$ 250,154

Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2010	2009	2010	2009	2010	2009
\$ 108,013	\$ 78,786	\$ 30,864	\$ 19,192	\$ 217,776	\$ 179,103
2,092	3,506	949	2,531	3,320	6,973
1,724	-	4,859	-	7,952	1,391
11,147	12,187	8,143	10,199	20,436	26,143
301	251	77	118	520	609
123,277	94,730	44,892	32,040	250,004	214,219
-	-	306,400	306,400	508,897	508,897
-	-	(11,094)	(5,547)	(51,594)	(39,297)
-	-	295,306	300,853	457,303	469,600
123,277	94,730	340,198	332,893	707,307	683,819
6,020	8,786	1,297	4,628	13,933	19,225
205	454	62	140	366	825
6,225	9,240	1,359	4,768	14,299	20,050
-	-	295,306	300,853	457,303	469,600
33,379	17,265	13,420	8,017	104,811	73,536
83,673	68,225	30,113	19,255	130,894	120,633
<u>\$ 117,052</u>	<u>\$ 85,490</u>	<u>\$ 338,839</u>	<u>\$ 328,125</u>	<u>\$ 693,008</u>	<u>\$ 663,769</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2010	2009
OPERATING REVENUES		
Charges for services	\$ 46,601	\$ 62,015
OPERATING EXPENSES		
Personal services	1,999	1,712
Telephone and office	1,464	1,444
Maintenance	28,097	26,446
Repairs	9,968	7,157
Professional services	4,215	4,840
Utilities	1,928	1,635
Other expense	6,717	9,020
Depreciation	6,750	6,750
TOTAL OPERATING EXPENSES	61,138	59,004
OPERATING INCOME (LOSS)	(14,537)	3,011
NONOPERATING REVENUES		
Investment earnings	1,500	877
INCOME (LOSS) BEFORE TRANSFERS	(13,037)	3,888
TRANSFERS OUT	-	(2,336)
CHANGE IN FUND NET ASSETS	(13,037)	1,552
FUND NET ASSETS, JANUARY 1	250,154	248,602
FUND NET ASSETS, DECEMBER 31	\$ 237,117	\$ 250,154



Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2010	2009	2010	2009	2010	2009
\$ 113,453	\$ 123,039	\$ 46,730	\$ 50,477	\$ 206,784	\$ 235,531
3,757	3,334	1,262	1,083	7,018	6,129
2,350	1,747	758	733	4,572	3,924
46,446	34,864	18,407	18,415	92,950	79,725
4,699	10,656	2,812	3,450	17,479	21,263
11,306	5,992	3,666	3,448	19,187	14,280
3,658	2,907	830	573	6,416	5,115
10,015	13,013	2,878	6,027	19,610	28,060
-	-	5,547	5,547	12,297	12,297
82,231	72,513	36,160	39,276	179,529	170,793
31,222	50,526	10,570	11,201	27,255	64,738
340	228	144	113	1,984	1,218
31,562	50,754	10,714	11,314	29,239	65,956
-	(1,183)	-	(270)	-	(3,789)
31,562	49,571	10,714	11,044	29,239	62,167
85,490	35,919	328,125	317,081	663,769	601,602
\$ 117,052	\$ 85,490	\$ 338,839	\$ 328,125	\$ 693,008	\$ 663,769

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 49,891	\$ 70,310
Payments to suppliers	(51,486)	(49,455)
Payments to employees	(2,131)	(1,586)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,726)	19,269
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	-	(2,336)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,500	877
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,226)	17,810
CASH AND CASH EQUIVALENTS, JANUARY 1	81,125	63,315
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 78,899</u>	<u>\$ 81,125</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (14,537)	\$ 3,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	6,750	6,750
(Increase) decrease in assets:		
Accounts receivable	657	(42)
Special assessments	2,633	8,337
Prepaid items	98	(181)
Increase (decrease) in liabilities:		
Accounts payable	805	1,268
Accrued salaries payable	(132)	126
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,726)</u>	<u>\$ 19,269</u>

Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2010	2009	2010	2009	2010	2009
\$ 114,183	\$ 112,844	\$ 45,509	\$ 43,046	\$ 209,583	\$ 226,200
(81,290)	(62,315)	(32,641)	(29,910)	(165,417)	(141,680)
(4,006)	(3,050)	(1,340)	(1,007)	(7,477)	(5,643)
28,887	47,479	11,528	12,129	36,689	78,877
-	(1,183)	-	(270)	-	(3,789)
340	228	144	113	1,984	1,218
29,227	46,524	11,672	11,972	38,673	76,306
78,786	32,262	19,192	7,220	179,103	102,797
<u>\$ 108,013</u>	<u>\$ 78,786</u>	<u>\$ 30,864</u>	<u>\$ 19,192</u>	<u>\$ 217,776</u>	<u>\$ 179,103</u>
\$ 31,222	\$ 50,526	\$ 10,570	\$ 11,201	\$ 27,255	\$ 64,738
-	-	5,547	5,547	12,297	12,297
1,414	156	1,582	428	3,653	542
(684)	(10,351)	(2,803)	(7,859)	(854)	(9,873)
(50)	(251)	41	(118)	89	(550)
(2,766)	7,115	(3,331)	2,854	(5,292)	11,237
(249)	284	(78)	76	(459)	486
<u>\$ 28,887</u>	<u>\$ 47,479</u>	<u>\$ 11,528</u>	<u>\$ 12,129</u>	<u>\$ 36,689</u>	<u>\$ 78,877</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
SUMMARY FINANCIAL REPORT (UNAUDITED)  
REVENUES AND EXPENSES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total		Percent Increase (Decrease)
	2010	2009	
REVENUES			
Property taxes	\$ 1,032,020	\$ 1,100,419	(6.22) %
Franchise taxes	7,759	7,453	4.11
Licenses and permits	7,230	4,553	58.80
Intergovernmental	31,214	79,435	(60.70)
Charges for services	42,366	68,347	(38.01)
Special assessments	116,520	151,704	(23.19)
Investment earnings	31,715	44,435	(28.63)
Miscellaneous	-	10	(100.00)
TOTAL REVENUES	\$ 1,268,824	\$ 1,456,356	(12.88) %
Per Capita	\$ 234	\$ 282	(16.90) %
EXPENDITURES			
Current			
General government	\$ 246,968	\$ 247,118	(0.06) %
Public safety	211,962	189,354	11.94
Public works	670,527	414,982	61.58
Culture and recreation	6,767	6,339	6.75
Capital outlay			
General government	20	747	(97.32)
Public works	13,090	245,179	(94.66)
Culture and recreation	4,473	16,517	(72.92)
Debt service			
Principal	115,000	-	100.00
Interest and other charges	18,876	9,512	98.44
TOTAL EXPENDITURES	\$ 1,287,683	\$ 1,129,748	13.98 %
Per Capita	\$ 238	\$ 219	8.72 %
Total Long-term Indebtedness	\$ 780,000	\$ 855,000	100.00 %
Per Capita	143.99	165	(12.98)
General Fund Balance - December 31	\$ 612,797	\$ 650,052	(5.73) %
Per Capita	113.12	125.81	(10.08)

The purpose of this report is to provide a summary of financial information concerning Credit River Township to interested citizens. The complete financial statements may be examined at Town Hall, 18985 Meadow View Lane, Prior Lake, MN 55372. Questions about this report should be directed to Holly Batton, Treasurer, at 952-440-5515.

**OTHER REQUIRED REPORTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2010

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Supervisors  
Credit River Township, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 24, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and miscellaneous provisions. Our study included all of the listed categories except for tax increment finance due to the town not having any tax increment districts.

The results of our tests indicate that for the items tested, the Township complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Supervisors, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2011  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Board of Supervisors  
Credit River Township, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Credit River Township, Minnesota, (the Township) as of and for the year December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

### **Internal Control Over Financial Reporting**

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented as finding 2010-1 in the Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting.





In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Township in a separate letter dated February 24, 2011.

The Township's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Supervisors, others within the organization, and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2011  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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CREDIT RIVER TOWNSHIP, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010

<u>Finding</u>	<u>Description</u>
<b>2010-1</b>	<b>Preparation of Financial Statements (Finding since 2008)</b>
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over safeguarding of assets and the reliability of financial reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Township's financial operations. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations. Regarding the specific situations listed above, we would offer the following recommendations: 1) Utilize a disclosure checklist to ensure that all required disclosures are present and agree to work papers, and 2) Agree your accounting information from CTAS and Banyon to the amounts reported in the financial statements.
<i>Management Response:</i>	For now, the Township's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.